

**FLOYD – MITCHELL – CHICKASAW
SOLID WASTE MANAGEMENT AGENCY**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

SEPTEMBER 30, 2016

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**Floyd – Mitchell – Chickasaw
Solid Waste Management Agency
Officials**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Joel Voaklander	Chairperson	Mitchell County
Jerry Joerger	Vice Chairperson	Floyd County
Cindy Lantow	Executive Board Member	City of Fredericksburg
Doug Kamm	Executive Board Member	Floyd County
Doug Merfeld	Executive Board Member	City of Marble Rock
Dennis Johnson	Executive Board Member	City of Carpenter
Jerry Dunlay	Executive Board Member	City of Osage
Deb Larson	Executive Board Member	City of New Hampton
Tim Zoll	Executive Board Member	Chickasaw County

**Floyd – Mitchell – Chickasaw
Solid Waste Management Agency**

MURPHY, SMITH & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

625 MAIN ST., OSAGE, IA 50461
322 MAIN ST., NASHUA, IA 50658
802B WOODLAND AVE, RICEVILLE, IA 50466

WWW.OSAGECPA.COM

P. 641-732-5841
P. 641-435-4615
P. 641-985-2621

Independent Auditor's Report

To the Members of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency:

Report on the Financial Statements

We have audited the accompanying financial statement of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2016, and the related Notes to Financial Statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair representation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of September 30, 2016, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis, the Schedule of the Agency's Proportionate Share of the Net Pension Liability and the Schedule of Agency Contributions information on pages 4 through 6 and on pages 16 through 19, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2016 on our consideration of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting and compliance.



Murphy, Smith & Co. PLLC
Certified Public Accountants
Osage, Iowa
November 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Floyd – Mitchell – Chickasaw Solid Waste Management Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency is for the fiscal year ended September 30, 2016. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2016 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 9%, or approximately \$102,000, from fiscal year 2015 to fiscal year 2016.
- ◆ Operating disbursements increased 9%, or approximately \$51,000, from fiscal year 2015 to fiscal year 2016.
- ◆ The Agency's cash balance increased 9%, or approximately \$621,000, from September 30, 2015 to September 30, 2016.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.
- Other Information further explains and supports the Agency's proportionate share of the net pension liability and related contributions.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in the Agency's cash balance.

Operating receipts are received for gate fees from accepting solid waste. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash balance for the years ended September 30, 2016 and September 30, 2015 is as follows:

Changes in Cash Balance		
	Year ended September 30,	
	2016	2015
Operating receipts:		
Tipping fees and gate charges	\$ 1,170,590	\$ 1,064,712
Miscellaneous	9,485	13,699
Total operating receipts	<u>1,180,075</u>	<u>1,078,411</u>
Operating disbursements:		
Salaries and contract labor	230,441	223,338
Engineering, leachate, inspection, and tonnage fees	194,546	142,897
Closure/postclosure	952	-
Other	207,528	216,174
Total operating disbursements	<u>633,467</u>	<u>582,409</u>
Excess of operating receipts over operating disbursements	<u>546,608</u>	<u>496,002</u>
Non-operating receipts (disbursements):		
Interest on investments	101,871	97,412
Farmland rental	66,400	66,400
Capital Grants	-	9,232
Capital improvements	(93,846)	(480,027)
Net non-operating receipts (disbursements)	<u>74,425</u>	<u>(306,983)</u>
Net change in cash balance	621,033	189,019
Cash balance beginning of year	7,007,256	6,818,237
Cash balance end of year	<u>\$ 7,628,289</u>	<u>\$ 7,007,256</u>
Cash Basis Fund Balance		
Restricted for:		
Closure	\$ 897,690	\$ 1,421,809
Postclosure care	1,353,289	980,302
Total restricted cash basis fund balance	<u>2,250,979</u>	<u>2,402,111</u>
Unrestricted	<u>5,377,310</u>	<u>4,605,145</u>
Total cash basis fund balance	<u>\$ 7,628,289</u>	<u>\$ 7,007,256</u>

In fiscal year 2016, operating receipts increased \$101,661, or 9%, over fiscal year 2015. In fiscal year 2016, operating disbursements increased \$51,058, or 9%, over fiscal year 2015.

A portion of the Agency's cash balance, \$2,205,979 (30%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$5,377,310 (70%), is unrestricted and can be used to meet the Agency's obligations as they come due. The restricted cash balance decreased \$151,132, or 6%, during the year. The unrestricted cash balance increased \$772,165, or 17%, during the year.

LONG-TERM DEBT

At September 30, 2016, the Agency had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Agency improved during the current fiscal year as tipping revenues increased. Some of the realities which may potentially become challenges for the Agency to meet are:

- ◆ Facilities and equipment require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact management at Floyd – Mitchell – Chickasaw Solid Waste Management Agency, 3354 330th Street, City of Elma, Iowa 50628.

Financial Statement

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Statement of Cash Receipts, Disbursements and
Changes in Cash Balance

Year ended September 30, 2016

Operating receipts:	
Tipping fees and gate charges	\$ 1,170,590
Miscellaneous	9,485
Total operating receipts	<u>1,180,075</u>
Operating disbursements:	
Salaries and benefits	227,368
Iowa Department of Natural Resources tonnage fee	88,914
Engineering services/leachate	86,893
Tire disposal	4,157
Recycling	26,007
Equipment maintenance	16,323
Monitoring and inspection fees	18,739
Gravel	18,405
Professional fees	5,885
Contract labor	3,073
Office equipment and supplies	8,868
Utilities	10,779
Fuel	19,920
Closure/postclosure	952
Insurance	24,207
Miscellaneous	72,977
Total operating disbursements	<u>633,467</u>
Excess of operating receipts over operating disbursements	<u>546,608</u>
Non-operating receipts (disbursements):	
Interest on investments	101,871
Farmland rental	66,400
Capital Grants	-
Capital Improvements	(93,846)
Net non-operating receipts (disbursements)	<u>74,425</u>
Change in cash basis net assets	621,033
Cash basis net assets beginning of year	7,007,256
Cash basis net assets end of year	<u>\$ 7,628,289</u>
Cash Basis Net Assets	
Restricted for:	
Closure	\$ 897,690
Postclosure care	1,353,289
Total restricted net assets	<u>2,250,979</u>
Unrestricted	5,377,310
Total cash basis net assets	<u>\$ 7,628,289</u>

See notes to financial statement.

**Floyd – Mitchell – Chickasaw
Solid Waste Management Agency**

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Notes to Financial Statement

September 30, 2016

(1) Summary of Significant Accounting Policies

The Floyd – Mitchell – Chickasaw Solid Waste Management Agency was formed in 1972 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Agency is to develop, operate and maintain solid waste and recycling facilities in Floyd, Mitchell and Chickasaw Counties on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each city or county member. The members of the Agency include: the cities of Charles City, Colwell, Floyd, Marble Rock, Rockford, Rudd and Floyd County; the cities of Carpenter, McIntire, Mitchell, Orchard, Osage, Riceville, St. Ansgar, Stacyville and Mitchell County; the cities of Alta Vista, Bassett, Fredericksburg, Ionia, Lawler, Nashua, New Hampton, North Washington and Chickasaw County; and the cities of Chester and Elma. The Agency members are to be elected representatives of each member city or county. Each member of the Agency has one vote for each 2,000 in population or fraction thereof, as determined by the most recent federal census or special federal census. Where the representative is a county, or portion thereof, such population shall be that of the unincorporated portion of the county or that part of the unincorporated portion of the county which is a member of the Agency.

A. Reporting Entity

For financial reporting purposes, the Floyd – Mitchell – Chickasaw Solid Waste Management Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U. S. generally accepted accounting principles.

D. Cash Basis Fund Balance

Funds set aside for payment of closure and post-closure care are classified as restricted.

(2) **Cash and Investments**

The Agency's deposits in banks at September 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At September 30, 2016, the Agency had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Federal Home Loan Mortgage Company (FHLMC)	\$ 66,305	147,003	July 2018
Federal National Mortgage Association (FNMA)	147,605	383,952	October 2019
	<u>\$ 213,910</u>	<u>530,955</u>	

The Agency uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the Federal Home Loan Mortgage Company and the Federal National Mortgage Association of \$147,003 and \$383,952, respectively, was determined using the last reported value price. (Level 1 inputs)

The Agency had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

(3) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the

IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Agency contributed 8.93% of covered payroll, for a total rate of 14.88%.

The Agency's contributions to IPERS for the year ended September 30, 2016 totaled \$14,721.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Agency had a liability of \$110,554 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Agency's proportion was 0.002238 percent, which was an increase of 0.000016 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the Agency's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$9,323, \$21,255 and \$25,742, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	-0.71
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	\$ 193,560	\$ 110,554	\$ 40,491

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(4) Other Postemployment Benefits (OPEB)

Plan Description - The Agency operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 4 active and 0 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Agency and plan members are \$673 for single coverage and \$1,512 for family coverage. The same monthly premiums apply to retirees. For the year ended September 30, 2016, the Agency contributed \$31,612 and plan members eligible for benefits contributed \$6,121 to the plan.

(5) Closure and Postclosure Care

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/post-closure plan and to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Agency have been estimated to be \$0 for closure and \$522,100 for post-closure care of the old cell, for a total of \$522,100 as of September 30, 2016. Usage of the old cell ceased in September 2007 and usage of Cell Phase 1 & 2 began immediately thereafter. Costs were estimated to be \$1,551,300 for closure and \$507,000 for post-closure care of the current cell, for a total of \$2,058,300 as of September 30, 2016. Cost estimates are completed annually in March. The estimated remaining life of Cell Phase 1 in use within the landfill is 1 year, with approximately 90 percent of the cell's capacity used at September 30, 2016. The estimated remaining life of Cell Phase 2 in use within the landfill is 4.4 years, with approximately 50 percent of the cell's capacity used at September 30, 2016.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and post-closure care accounts to accumulate resources for the payment of closure and post-closure care costs. The Agency has begun to accumulate resources to fund these costs and, at September 30, 2016, assets of \$2,250,979 are restricted for these purposes, of which \$897,722 is for closure and \$1,353,257 is for post-closure care. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

(6) Solid Waste Tonnage Fees Retained

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa. At September 30, 2016, the Agency had no unspent tonnage fees.

(7) Risk Management

The Agency is a participant in the Heartland Insurance Risk Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Heartland Insurance Risk Pool (Pool) is a local government risk sharing pool whose 10 members and other participants include various governmental entities throughout the State of Iowa. The Pool was formed in July 1987 for the purpose of providing a voluntary self-insured program to counties in the State of Iowa. The program is designed to provide members a greatly improved loss control program whose purpose is to reduce claims and accidents; aid through sound and equitable claim management practices to reduce costs; and provide the required and/or desired reinsurance at a discount, based on volume and lower risk exposure. The Pool provides coverage and protection in the following categories: workers compensation, automobile liability, automobile physical damage and crime policies on an occurrence basis. General liability coverage is written on a claims-made basis. There have been no reductions in insurance coverage from prior years.

Each member/participant's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The Pool also provides property, inland marine, public officials errors and omissions, law enforcement liability and business income and extra expense coverage. Members and participants who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's annual contributions to the Pool for the year ended September 30, 2016 was \$26,347. A premium credit was issued in the amount of \$2,791 making net contributions \$23,556.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains automobile and general liability risks in excess of \$400,000 up to \$1,000,000 per claim. The Pool retains workers compensation risks in excess of \$750,000 to statutory limits. All property, inland marine, boiler, public officials errors and omissions, business income and expense and law enforcement liability risks are also reinsured on an individual member/participant basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at September 30, 2016, no liability has been recorded in the Agency's financial statements. As of September 30, 2016, settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

(8) Leases

The agency leases two parcels of farmland together under three and four year renewable operating leases. The Agency receives an annual payment of \$65,200, due on March 1st and \$1,200, due on June 30th. Under the terms of the current lease, the agreements end February 2018. Total rent income for the fiscal year ending September 30, 2016 was \$66,400.

(9) Landfill Operator Contract

The Agency does not contract for operation of the landfill. The Agency employs a director who is responsible for the operation and management of the landfill. The Board President is currently acting as the interim director.

(10) Compensated Absences

Agency full-time hourly employees accumulate a limited amount of earned but unused paid time off (PTO) hours to be used for vacation, illness, funeral, personal days or other reasons. Unused PTO hours at the anniversary date may be bought back by the employer at the employee's current hourly rate or the employee may carry over up to a maximum of 40 hours. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned PTO hours at September 30, 2016 was \$4,891. This liability has been computed based on rates of pay in effect at September 30, 2016.

(11) Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 23, 2016.

(12) New Accounting Pronouncement

The Agency adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Schedule of the Agency's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*

Other Information

	<u>2016</u>	<u>2015</u>
Agency's proportion of the net pension liability	0.002238%	0.002222%
Agency's proportionate share of the net pension liability	\$ 110,554	\$ 88,118
Agency's covered-employee payroll	\$ 164,844	\$ 157,424
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.07%	55.97%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No.68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Schedule of Agency Contributions

Iowa Public Employees' Retirement System
For the Last Seven Fiscal Years

	Other Information			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 14,721	\$ 14,058	13,444	12,565
Contributions in relation to the statutorily required contribution	<u>(14,721)</u>	<u>(14,058)</u>	<u>(13,444)</u>	<u>(12,565)</u>
Contribution deficiency (excess)	\$ -	\$ -	-	-
Agency's covered-employee payroll	\$ 164,844	\$ 157,424	150,552	148,674
Contributions as percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.45%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>
15,797	12,745	12,870
<u>(15,797)</u>	<u>(12,745)</u>	<u>(12,870)</u>
-	-	-
195,239	176,756	191,882
8.09%	7.21%	6.71%

Notes to Other Information

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Notes to Other Information – Pension Liability

Year ended September 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards**

MURPHY, SMITH & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

WWW.OSAGECPA.COM

625 MAIN ST., OSAGE, IA 50461

322 MAIN ST., NASHUA, IA 50658

802B WOODLAND AVE, RICEVILLE, IA 50466

P. 641-732-5841

P. 641-435-4615

P. 641-985-2621

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Members of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency as of and for the year ended September 30, 2016, and the related Notes to Financial Statement, and have issued our report thereon dated November 23, 2016. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B), and (C) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Floyd – Mitchell – Chickasaw Solid Waste Management Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Floyd – Mitchell – Chickasaw Solid Waste Management Agency's Responses to Findings

The Floyd – Mitchell – Chickasaw Solid Waste Management Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Floyd – Mitchell – Chickasaw Solid Waste Management Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Floyd – Mitchell – Chickasaw Solid Waste Management Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Murphy, Smith & Co. PLLC
Certified Public Accountants
Osage, Iowa
November 23, 2016

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Schedule of Findings

Year ended September 30, 2016

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records. Further, that person also has complete control over disbursements, entering bills, preparing checks and answering vendor questions regarding payments.

Recommendation – The Agency should designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact and that payment disputes are handled correctly.

Response – We will consider this.

Conclusion – Response accepted.

- (B) CD Signature Cards – The agency had former board members on the signature cards for some of their certificates of deposit.

Recommendation – The Agency should update the signature cards for their certificates of deposit.

Response – We will do so.

Conclusion – Response accepted.

- (B) Credit Card Policy – The agency does not have signed credit card policies for its employees on file.

Recommendation – The Agency should acquire signed credit card policies from each employee with an Agency credit card.

Response – We will do so.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Schedule of Findings

Year ended September 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not. However, not all minutes were signed by board.

Recommendation – The Agency should ensure that all minutes are properly signed as required.

Response – This recommendation will be followed for future publications.

Conclusion – Response accepted.

- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- (5) Solid Waste Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (6) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and post-closure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	OLD CELL Postclosure	CELL PHASE 1 & 2		Total
		Closure	Postclosure	
Total estimated costs for closure/postclosure care	\$ 522,100	1,551,300	507,000	2,580,400
Less: Balance of funds required to be held in the local dedicated fund at September 30, 2015	540,000	961,674	679,690	2,181,364
	(17,900)	589,626	(172,690)	399,036
Divided by the number of years remaining in the pay-in-period	1	6	6	
Required payment into the local dedicated fund for the year ended September 30, 2015	(17,900)	98,271	(28,782)	51,589
Balance of funds held in the local dedicated fund at September 30, 2015	540,000	961,674	679,690	2,181,364
Balance of funds required to be held in the local dedicated fund at September 30, 2016	\$ 522,100	1,059,945	650,908	2,232,953
Amount Agency has restricted and reserved for closure and postclosure care at September 30, 2016				\$ 2,250,979

Floyd – Mitchell – Chickasaw
Solid Waste Management Agency

Schedule of Findings

Year ended September 30, 2016

Iowa Department of Natural Resources rules and regulations require deposits into the closure and post-closure care accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The Agency is fully funded at this time and no deposit is required.